



9 November 2012

Mr Paul Tilley
General Manager
Personal and Retirement Income Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Mr Tilley

Means testing the Net Medical Expenses Tax Offset

The Consumers Health Forum of Australia (CHF) welcomes the opportunity to provide a submission to the Treasury on the exposure draft legislation to implement means testing of the net medical expenses tax offset (NMETO), as announced in the 2012-13 Federal Budget.

CHF is the national peak body representing the interests of Australian healthcare consumers. CHF works to achieve safe, quality, timely healthcare for all Australians, supported by accessible health information and systems.

CHF's understanding is that, under the new means test, the amount above which taxpayers with adjusted taxable income above the Medicare levy surcharge thresholds (\$84,000 for singles and \$168,000 for couples or families in 2012-13) may claim the NMETO will be increased to \$5,000 (to be indexed annually). The rate of offset will be reduced to 10 per cent of eligible out of pocket expenses incurred above the \$5,000 claim amount. People with income below the income thresholds will be unaffected by this change, and will continue to be eligible to claim the NMETO for out of pocket expenses above \$2,120 (in 2012-13, indexed to changes in the consumer price index) with the offset available at a rate of 20 percent of out of pocket expenses.

In principle, CHF is supportive of the concept of means-testing the NMETO. In a context of scarce health resources, it is appropriate that government subsidies for the costs of health care are directed at those who are experiencing greater financial disadvantage.

We are concerned, however, at the considerable jump in the amount above which the tax offset can be claimed once income has exceeded the Medicare levy surcharge threshold, which makes this a very blunt policy instrument. As the legislation is currently drafted, a consumer with taxable income only marginally above the Medicare levy surcharge threshold (for example, \$85,000) would have to reach the higher threshold of \$5,000 to receive any offset in medical expenses. Out-of-pocket medical expenses of \$5,000 would be a significant burden for someone at this income level.

CHF therefore recommends that income tiers are introduced for the NMETO, consistent with the income tiers for the Private Health Insurance Rebate. Currently, these tiers are:

	No change	Tier 1	Tier 2	Tier 3
Singles	\$84,000 or less	\$84,001- \$97,000	\$97,001- \$130,000	\$130,000+
Families	\$168,000 or less	\$168,001 - \$194,000	\$194,001 - \$260,000	\$260,000+

CHF recommends that the level above which the NMETO can be claimed increases for each of these tiers, up to a maximum of \$5,000 for the highest income earners. Income tiers could also be used to determine the proportion of expenses above each level which can be claimed.

Australian Bureau of Statistics data indicate that even higher income earners experience financial barriers to accessing health services. Data from *Patient Experiences in Australia: Summary of Findings 2010-11* indicated that 8.2 percent of Australians experienced financial barriers to accessing a GP. This was not limited to lower income earners, however; 6.3 percent of those in the highest income quintile still experienced barriers to access. For dental professionals, 26 percent of all Australians experienced financial barriers to access, with 16.7 percent of those in the highest income quintile experiencing financial barriers. 9.2 percent of all Australians experience financial barriers to purchasing prescription medication, with 6.2 percent of those in the highest income quintile experiencing these barriers.¹

While the barriers are obviously lower overall for those in the highest income quintile, it is clear that financial barriers to accessing essential health services still exist. It is appropriate that the highest income earners do not receive the same concessions as those with lower incomes, but the substantial jump between the expenditure level required to access the offset once someone has reached the Medicare levy surcharge income level could exacerbate existing financial barriers in access to health services. **CHF therefore recommends that the legislation is amended to introduce income tiers for the NMETO, with the level above which the NMETO can be claimed increasing at each tier up to a maximum of \$5,000 for the highest income earners.**

CHF appreciates the opportunity to provide a submission to this consultation. If you would like to discuss these comments in more detail, please contact CHF Deputy Chief Executive Officer, Anna Greenwood.

Yours sincerely



Carol Bennett
CHIEF EXECUTIVE OFFICER

¹ Australian Bureau of Statistics 2011 *Patient Experiences in Australia: Summary of Findings 2010-11* 'Table 6 Persons 15 years and over who needed health services, Barriers to use in the last 12 months by selected characteristics', data cube: Excel spreadsheet, Cat. no. 4839.0, viewed 6 November 2012, http://www.abs.gov.au/AUSSTATS/subscriber.nsf/log?openagent&48390do002_201011.xls&4839.0&DataCubes&E863FBC7D3FE0E5DCA257952001C99BB&0&2010-11&25.11.2011&Latest